

name of the company implicated in the pay-offs.

Halliburton said in a statement that the disclosure of what it called a "potential overcharge" was a sign of its "diligence" in managing its Iraq contracts. "KBR will ensure that questionable charges will be credited to the government and will seek recovery from the offending subcontractors."

Halliburton negotiated its current LogCap contract with a very thin profit margin of 1% over costs. It has a maximum bonus of an added 2% available if it delivers the needed services in an expeditious way. But under these so-called cost-plus arrangements, companies have little incentive to rein in costs or to assure that they pick the most competitive subcontractors, since the higher the costs, the higher the profit.

The disclosure comes as Pentagon documents continue to raise broader questions about KBR's financial controls in Iraq. A previously undisclosed Jan. 13 memorandum from a branch office of the Defense Control Audit Agency levels as "inadequate" KBR's system for accurately estimating the cost of ongoing work in order to justify payments. The memo was sent to various Army contracting officials.

The Pentagon has had to reject two huge proposed bills from KBR, including one for \$2.7 billion, because of myriad "deficiencies," the memo says. "We consider [the company's] estimates in the area of subcontracts to be inadequate," the memo says. The agency is now auditing proposed KBR bills totaling \$2.1 billion, the memo says.

Pentagon auditors last month said that KBR's Kuwaiti supplier, Altanmia Commercial Marketing Co., was charging the U.S. almost double the market price for gasoline. Auditors said the overcharging amounted to \$61 million through September, and as much as \$20 million a month since then.

The Army Corps defended the company's hiring of Altanmia in a lengthy Jan. 6 report. The report said KBR had "urgent and compelling needs" to use the Kuwaiti supplier, even at significantly higher prices than other potential suppliers.

Still, Pentagon officials are likely to home in on the circumstances under which KBR hired Altanmia. The Army Corps reports says KBR picked Altanmia on May 5 after making phone calls to just two other bidders. Officials say there is no indication of kickbacks involving Altanmia.

A number of anonymous whistleblowers have come forward in recent weeks with often-detailed allegations of KBR wrongdoing in Kuwait, including accusations of paybacks from companies that received lucrative subcontracting work from KBR, according to U.S. officials and congressional sources. These reports in turn have been taken up by the Pentagon's IG office.

The Pentagon's fuel unit, the Defense Energy Support Center, solicited bids yesterday for three fuel-delivery contracts meant to replace the work that KBR is now performing. KBR officials have said for months that they wanted out of the work, which they described as dangerous and not very profitable.

Mr. DASCHLE. As I said, it is very disturbing because there have already been serious concerns raised about the lack of scrutiny, auditing, and transparency with regard to the billions of dollars that are now being committed in Iraq. The Defense Contract Audit Agency has now been charged not only with taking responsibility for an audit, but they have also begun consideration of a criminal investigation. Clearly, if there is a possibility of a kickback, a criminal investigation is certainly warranted.

I am troubled by the lack of any expressed concern in the Congress. There has been virtually no oversight in either the House or the Senate. When matters of this magnitude and concerns of this level are addressed on the front pages of some of the most prominent newspapers in the country, I cannot think of a more important wakeup call for us. One of our primary roles as Members of Congress, of course, is oversight, to make sure that the money we authorize and appropriate is not only spent well but is spent as the American people would expect it.

I do not think we have any choice but to investigate this matter ourselves, to ask the appropriate committees, perhaps Government Affairs, Armed Services, Foreign Relations, to look into these issues, to ask the tough questions, and to have a somber appreciation ourselves of what is going on, why is it that we are reading for the first time reports of kickbacks when we have taken so little effort to understand the magnitude of the problem, the depth and scope of the issues that these allegations represent.

I think it is also important for us to call for a halt in all further contracts with Halliburton until these issues are clarified. For the life of me, I cannot understand why we would reward corporations or organizations of any kind that face such serious allegations of fraud and corruption, that are under investigation for perhaps overpricing the American taxpayer by \$61 million, at least with regard to the gasoline sold. Why we would award one more contract until these matters have been resolved? So I hope that on a bipartisan basis the Congress will live up to its responsibility, first, through oversight and, second, with a recognition that awarding contracts under circumstances such as these makes no sense whatsoever.

We will have more to say as we learn more, of course. These are very disturbing revelations. They merit more careful consideration. We need to learn more and understand what circumstances allowed the kickbacks in the first place. Lack of transparency above and beyond anything else will generate stories and situations like this over and over again.

Many of us have called for a complete public accounting of these funds, but here we are—no transparency, no public accounting, no oversight on the part of Congress, and the possibility of perhaps more contracts with Halliburton in the future. This is not the way to run a government, especially if we are hopeful of improving the confidence on the part of the American people that we understand the gravity of these issues and want very much to build their confidence that we are doing all we can in our efforts in Iraq to rebuild democracy, to provide for the assistance required. We have said on many occasions how troubling it is that we are the only real financial source for the economic, military, and public assistance provided to Iraq.

When the American people hear that much of that money may now be under a cloud, it is all the more imperative that we act to remove that cloud, to provide the confidence, the transparency, the oversight, and certainly the corrective actions required.

I yield the floor.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, the remainder of the leadership time is reserved.

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of morning business with Senators permitted to speak for up to 10 minutes each.

Mr. DASCHLE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DORGAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DORGAN. I ask unanimous consent that I be allowed to speak in morning business for as much time as I may consume.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The remarks of Mr. DORGAN pertaining to the submission of S. Res. 289 are printed in today's RECORD under "Submitted Resolutions.")

IRAQI CONTRACTS

Mr. DORGAN. Mr. President, on just one more issue, quickly, the Democratic leader was in the Chamber moments ago speaking of something I am very concerned about as well. This is the front page of the Wall Street Journal today and it says: "Halliburton Tells the Pentagon Workers Took Iraq-Deal Kickbacks."

Let me read from the report.

Halliburton Co. has told the Pentagon that two employees took kickbacks valued at up to \$6 million in return for awarding a Kuwaiti-based company with lucrative work supplying U.S. troops in Iraq.

That disclosure came just days after the top Defense Department auditor asked the office to investigate whether Halliburton subsidiary Kellogg Brown & Root overcharged for fuel deliveries by more than \$61 million.

This isn't the first whisper of this kind of issue. Week after week after week, for months we have been hearing these charges. Do you think anybody in the executive branch seems very concerned about them? Apparently the auditors in the Defense Department are. But do you see anybody scrambling to hold a hearing about it and do some investigation and some inquiry to bring somebody to account for this? It is as quiet as church mice around here.